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Mr Henrik Bjerre Nielsen
Chairman
CEIOPS

Dear Mr Nielsen

Comments on CEIOPS Consultation Paper No. 6 (CP- 03/05)
Report on possible need for amendments to the Insurance Groups Directive

I have pleasure in attaching the comments of the Groupe Consultatif on CEIOPS draft report on the possible need for amendments to the Insurance Groups Directive.

First we wish to express our support for the format of the draft document. The general style of discussion of the background to each issue followed by identification of possible solutions and a recommendation is most helpful.

Our preliminary work on Solvency II leads us to believe that the IGD will need material changes to accommodate the Solvency II structure of MCR and SCR, to cover the group diversification issues and the control aspect of group internal models. This leads us to think that any changes proposed now should be considered as interim and limited to those that are necessary to eliminate acute problems or can be simply accommodated.

We have limited our observation to a few specific topics with a more actuarial content and have generally not addressed issues of administrative organisation or procedure which are best left for regulated entities to address.

1. One holding company in the EEA in insurance groups whose head offices are located outside the EEA (ref sections 6 and 7.2.4).

We found the proposal appropriate as a last resort to be pursued if all other approaches have failed. As noted, the existence of such power may well be enough to encourage more meaningful outcomes to other less severe steps.

7.2.4 refers to supervisors having the power to require the constitution of a holding company located in the EEA and inter alia to identify the Member State where it should be established. It is not evident why this control of location is required. In our experience groups will take into account many factors when deciding on location such as tax and general business conditions. We propose this power be deleted.

2. Possible deletion of the Requirement Deduction Method (section 7.3.1) Consistency of Requirement Deduction Method under the IGD and the FCD (section 7.3.2)

We are not sure why this method was established and can only enquire why it is now redundant. The overriding point must be that if no one objects it can be safely deleted.

If it is retained it would be sensible to ensure consistency of IGD and FCD as proposed under 7.3.2 but it appears that the IGD specification of RDM is more consistent with the Deduction and Aggregation Method than the FCD specification.

3. Definition of IGT (8.3.2)

CEIOPS recommends that the IGD be amended to require reporting of exposures not just transactions. We regard this as a sensible harmonisation recognising the significance of potential outcomes.

4. Criteria for “significance” (section 8.3.3)

This desire to increase consistency on the interpretation of significance is sound but not straight forward.

CEIOPS could consider introducing, via the directive or guidance, a definition as a percentage of the capital of the group. To achieve consistency with such a measure it will be necessary to define how transactions transferring insurance risk will be quantified (premium, maximum claim, probable claim etc)...

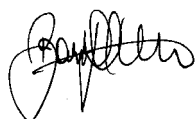
A possible criterion can be to define a change in solvency or EC calculation with more than x%.

5. Frequency for reporting (section 8.3.4)

Whilst we agree with the CEIOPS recommendation not to require more frequent reporting of IGT we believe that co-co's should be kept informed of significant developments on a more regular basis than annually. In this context significant should be set at a relatively high level.

I hope the foregoing comments are of assistance to CEIOPS. In conclusion, let me add once again that the Groupe Consultatif welcomes the opportunity to contribute to the Solvency II project through direct dialogue and interaction with CEIOPS and its working groups. As always, we are available for further discussion and input as you consider appropriate.

Yours sincerely



Bart De Smet
Chairman, Insurance Committee